

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SSO-00
INRE-00 SS-15 NSCE-00 /051 W
-----008447 091743Z /64
O 091717Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 6993

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E.O. 11652:N/A
TAGS: EAIR, UK
SUBJECT: CIVAIR: WAIVERS TO CARRY CHARTER TRAFFIC ON
SCHEDULED FLIGHTS: U.K. REPLY TO PRESIDENT'S
LETTER ON DUAL DESIGNATION

REF: (A) STATE 145861; (B) LONDON 8980

1. SUMMARY. U.K. DEPT. OF TRANSPORT AND CIVIL AVIATION AUTHORITY HAVE HARMONIZED THEIR REGULATIONS ON WAIVERS FOR CHARTER PASSENGERS TO FLY SCHEDULED FLIGHTS SO THAT THE WAIVERS WILL TERMINATE ON JUNE 15. U.K. DOT HAS INFORMED EMBASSY THAT PRIME MINISTER CALLAGHAN SENT A REPLY JUNE 9 TO PRESIDENT CARTER'S LETTER REQUESTING DUAL DESIGNATION AT BOSTON. IT APPEARS THAT DOT WILL REQUIRE PANAM TO CEASE FLYING THE BOSTON-LONDON ROUTE AT THE SAME TIME IT BEGINS TO FLY THE LOS ANGELES-LONDON ROUTE. END SUMMARY

2. EMBASSY DISCUSSED REF A WITH PANAM (CORNING) BEFORE CONTACTING IAN BROWN OF U.K. DOT. BROWN INDICATED THAT ISSUE DISCUSSED REF A HAD BEEN RESOLVED BY VIRTUE OF THE FACT THAT CAA, ON JUNE 7, HAD ISSUED AN ORDER TO BRITISH AIRWAYS (BA) ES-

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TABLISHING THE DATE OF JUNE 15 AS THE LAST DAY ON WHICH BA WOULD BE ALLOWED TO CARRY CHARTER TRAFFIC ON SCHEDULED FLIGHTS EITHER IN CASES WHERE TRANSFER ARRANGEMENTS HAD BEEN MADE AS OF MAY 15 OR IN THOSE CASES WHERE THE CAA HAD ALLOWED THE AIRLINE TO CARRY "FAILED-CHARTER" PASSENGERS AT BUDGET FARES. CONSEQUENTLY, THERE IS NO LONGER ANY DISCRIMINATION

BETWEEN BRITISH AIRLINES AND AMERICAN AIRLINES IN THIS MATTER; NEITHER WILL HAVE THE RIGHT TO CARRY CHARTER TRAFFIC ON SCHEDULED FLIGHTS EXCEPT IN CASES OF FORCE MAJEURE AFTER JUNE 15. EMBASSY INFORMED PANAM REPRESENTATIVE OF DOT RESPONSE.

3. AT THE SAME TIME, BROWN INFORMED EMBASSY THAT A REPLY TO PRESIDENT CARTER'S LETTER ON DUAL DESIGNATION AT BOSTON FROM PRIME MINISTER CALLAGHAN HAD BEEN SENT BY TELEGRAPH THIS MORNING (JUNE 9) TO THE U.K. EMBASSY IN WASHINGTON FOR DELIVERY JUNE 9. BROWN DID NOT HAVE THE EXACT TEXT BUT HE EXPLAINED THE MAIN POINTS OF THE RESPONSE AS FOLLOWS:

A) THE PRIME MINISTER WOULD LIKE TO HAVE RESPONDED POSITIVELY BUT AS THE BERMUDA AGREEMENT IS ONLY ELEVEN MONTHS OLD, IT SEEMS EARLY TO MAKE SUCH A BASIC CHANGE AS DUAL DESIGNATION OF GATEWAY CITIES.

B) HOWEVER, HE IS DESIROUS OF CHANGES WHICH ARE TO THE RECIPROCAL ADVANTAGE OF THE BRITISH AND AMERICAN PEOPLE AND WOULD BE PREPARED TO ALLOW DESIGNATION OF TWO U.S. CARRIERS TO SERVE ON THE BOSTON-LONDON ROUTE IF TWO THINGS WHICH ARE OF INTEREST TO HIS GOVERNMENT COULD BE GRANTED:

(1) IT WOULD BE OF GREAT HELP TO HIS GOVERNMENT WITH ITS AIRPORT PROBLEMS IF THE AMERICAN AIRLINE LIMITED OFFICIAL USE

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BENEFITING FROM THE ADDITIONAL DESIGNATION WOULD PUT ALL ITS SERVICES INTO GATWICK. (2) THIS CHANGE WOULD BE HIGHLY WELCOME BUT, EVEN THEN, HE IS FEARFUL OF WASTEFUL OVERCAPACITY AND WOULD ASK THAT THE TOTAL NUMBER OF FLIGHTS OPERATED BY THE AIRLINES ON THE LONDON-LOS ANGELES ROUTE AND THE LONDON-BOSTON ROUTE WOULD, TOGETHER, BE KEPT TO A TOTAL OF 21 FLIGHTS A WEEK UNTIL THE TRAFFIC ON THE BOSTON ROUTE REACHES THE TRIGGER POINT OF 600,000 SET OUT IN BERMUDA II. IT WOULD BE UP TO THE U.S. ADMINISTRATION AND THE AIRLINES TO DECIDE FROM WHAT GATEWAY POINTS THE 21 FLIGHTS WOULD BE FLOWN.

4. EMBASSY OFFICER DISCUSSED WITH BROWN WHAT HE SAW AS THE NEXT STEPS IN THIS MATTER AND ASKED IF THE U.K. INTENDED TO REQUEST CONSULTATIONS IN ACCORDANCE WITH PARA 5 OF BERMUDA II IN RESPONSE TO U.S. REQUEST FOR DUAL DESIGNATION AT BOSTON UNDER THAT ARTICLE. BROWN REPLIED THAT IT WAS NOT THAT SIMPLE; THAT WHEN A MATTER WAS RAISED TO THE LEVEL OF THE PRIME

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MINISTER AND THE PRESIDENT, IT COMPLICATED THE WORK
OF THE DOT. THE U.K. DOES NOT INTEND TO REQUEST
CONSULTATIONS UNTIL AFTER PRESIDENT CARTER'S REPLY
TO THE PRIME MINISTER'S MESSAGE HAS BEEN RECEIVED.
IF THE PRESIDENT ACCEPTS THE PRIME MINISTER'S PRO-
POSAL, THERE IS NO NEED FOR CONSULTATIONS--BUT HE
ANTICIPATED THAT THE PRESIDENT'S RESPONSE WOULD
REQUEST CONSULTATIONS. HE ALSO INFORMED THE EMBASSY
OFFICER THAT HE WAS SENDING A TELEX TO PANAM
REQUESTING THAT THEY CEASE ADVERTISING A LONDON-
LOS ANGELES SERVICE AND STATING THAT THEY COULDN'T
"JUMP THE GUN" BEFORE THE PERMIT HAS BEEN AUTHORIZED.
THE EMBASSY OFFICER THEN SAID THAT IT SEEMED CLEAR
THAT IF ONLY TWO CITIES WERE TO HAVE DUAL DESIGNA-
TION, THEY WOULD BE LOS ANGELES AND NEW YORK. BROWN
AGREED BUT SAID THAT UNTIL THE U.S. "DE-DESIGNATED"
BOSTON FOR TWO CARRIERS AND DESIGNATED LOS ANGELES
FOR TWO CARRIERS, PANAM WOULD HAVE NO RIGHT TO
ADVERTISE A LONDON-LOS ANGELES SERVICE. HE WENT
ON TO SAY THAT IF HE WERE TO RECEIVE A NOTE FROM
THE U.S. DESIGNATING PANAM FOR LOS ANGELES AND
"DE-DESIGNATING" PANAM FOR BOSTON, THE DOT WOULD AMEND
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PANAM'S PERMIT AS SOON AS POSSIBLE BY TELEX. THE DOT WOULD THEN, OF COURSE, EXPECT PANAM TO CEASE FLYING ON THE BOSTON-LONDON ROUTE. HE SEEMED TO SUGGEST THAT FOR THE U.S. TO "DE-DESIGNATE" BOSTON AND DESIGNATE LOS ANGELES WOULD BE PRECIPITATIVE AND THAT THE COURSE OF EVENTS HE EXPECTED WAS FOR PRESIDENT CARTER TO REPLY TO PRIME MINISTER CALLAGHAN'S MESSAGE AND FOR THERE TO BE CONSULTATIVE COUNTER-OFFERS. EMBASSY HAS INFORMED LOCAL PANAM REPRESENTATIVE OF THE ABOVE.

BREWSTER

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